

# Goldsmith Book & Stationery Co

(Successors to Wichita Book Co.)

Will continue in business at 149 N. Main St., with a Full and Complete Stock of

## BOOKS AND STATIONERY

and as an introduction, will give 20 per cent discount on all goods except school books.

*Wichita Daily Eagle, November 24, 1893.*

## OF COURSE EVERYBODY WRITES

Some write short letters; others volumes. What you want is a good

## FOUNTAIN PEN.

At a cheaper price than has heretofore been asked for them.

## Goldsmith Book & Stationery Co's

—HAVE A—

**GOLD PEN; FOUNTAIN HOLDER at 1.50**

Guaranteed to give satisfaction. Remember the place.

**149 North Main St.,**

*Wichita Daily Eagle, December 15, 1893.*



*Isaac Goldsmith, who joined his cousin Henry Goldsmith in the 1880s at his tiny retail store in Winfield, would transform Goldsmith's into one of the largest book and stationery stores in the Midwest.*

Removed to 122 E. Douglas.

THE GOLDSMITH

**Book and Stationery**

COMPANY

With a larger and more complete stock.

*Wichita Daily Eagle, March 7, 1894.*

The Same Telephone  
Mkt. 235

**GOLDSMITH'S**

**MOVED**

TO

**116 South Topeka**

"JUST A STEP FROM DOUGLAS"

*Wichita Daily Eagle, August 1, 1920.*

# Central Plains Entrepreneurs

## The Rise and Fall of Goldsmith's Inc., 1878–2003

*by Scott Dalrymple*

**F**ew businesses west of the Mississippi can claim a history as long and eventful as that of Goldsmith's Inc. of Wichita, Kansas. From its humble beginnings as a book and stationery store in a dusty frontier town, to its decades-long reign as an anchor of the Wichita retail scene, to its transformation into one of the country's largest office furniture dealers, Goldsmith's weathered a truly vast array of social, economic, and technological changes. The Goldsmith's story might legitimately be told on a number of levels: as the story of a 125-year-old, closely held family business; as the story of Jewish business men and women striving to succeed in an overwhelmingly Christian part of the country; or, later in its history, as a midwestern business that successfully competed with much larger firms in major cities. The defining theme of Goldsmith's long history, however, may be its constant adaptability in the face of changing market conditions. Over the course of its history, Goldsmith's would reinvent itself more than once, responding to changes in how Americans lived, worked, and even played. The story of Goldsmith's begins in 1878 in the town of Winfield, a few miles north of the Oklahoma border in south-central Kansas. In September that year the following item appeared in the *Cowley County Telegram*:

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The author wishes to thank those individuals who agreed to be interviewed for this study: Rodger Arst, Patty Arst, David Arst, Michael Arst, Matthew Arst, Sarah Wasserman, Stan Andeel, Chuck Chandler, Barbara Clark, Bill Cohen, John Coultis, Delores Hills, Jim Hull, Fran Jabara, Linda Laird, Prentice Lewis, Alvin Marcus, David Minor, Joey Rathbun, Kay Ratner, Robert Riegle, Jim Tharp, and Sherry Zahr. The author also thanks Wichita State University's Center for Entrepreneurship and Goldsmith's Inc., without whose cooperation this article would not have been possible.

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Mr. Henry Goldsmith, of Clinton, Henry county, Missouri, has arrived in our city, and will immediately open in the corner room just vacated by Baird Bros.—a large variety store—keeping a full line of books, stationery, confectionery, cigars, tobacco and gent’s furnishing goods. In connection with the other he will also run a news depot. Mr. G. is an energetic young man and will, without doubt, make the business a success. The P.O. will also be removed from its present location to the rear of the room occupied by Mr. Goldsmith.<sup>1</sup>

schoolbooks, and newspapers, but also cigars, toys, gifts, fresh fruit (including Michigan apples, lemons, and “coconuts”), candy, wallpaper, sheet music, and “fine gent’s underwear.”<sup>3</sup> By the spring of 1879 the *Winfield Daily Telegram* claimed, “We know of no house in the city where our citizens better [satisfy] their wants than at Mr. Goldsmith’s,” adding that “He has one of the finest Soda Fountains in the State, and will furnish this wholesome beverage pure and unadulterated.”<sup>4</sup>



In October 1878 Henry Goldsmith opened his book and stationery store at 823 Main Street in Winfield. The building in the foreground of this ca. 1880 photo housed Goldsmith’s, which offered not only stationery, schoolbooks, and newspapers, but also cigars, toys, gifts, fresh fruit, and candy.

Moving the “P.O.,” or post office, could not have been difficult; apparently it was housed entirely in a wagon. Just a decade earlier, Winfield had been little more than a place where an Osage Indian trail crossed the Walnut River, where buffalo had recently roamed, and where panthers reportedly still hunted.<sup>2</sup>

In October 1878 Henry Goldsmith opened his book and stationery store at 823 Main Street. The first store of its kind in the area, Goldsmith’s offered not only stationery,

Setting up shop in a small frontier town like Winfield was certainly a gamble, but one that soon paid off for the entrepreneurial Goldsmith. In October 1879 the Santa Fe railroad came to town; in 1880 the *Winfield City Directory* claimed the town contained four thousand residents. By the mid-1880s business was good enough that Goldsmith’s cousin Isaac Goldsmith moved from Missouri to Winfield to join the enterprise. It remains unclear in what capacity Isaac first joined the firm, whether as partner or employee, but by 1893 Henry and Isaac had entered into a partnership to expand the firm to Wichita, approximately thirty-five miles northwest of Winfield.<sup>5</sup>

Success in Wichita was by no means assured. After booming during the 1870s and 1880s, Wichita actually experienced a decline in population during the 1890s. In 1888 its population had been around thirty-four thousand; by 1893 it was closer to twenty thousand. The boom town had seemingly gone bust. Property prices plummeted to a fraction of what they had been just a few years before—in some cases only 5 or 10 percent of their earlier value. Still, the city boasted a creditable infrastructure, and in any event it was much larger than Winfield.<sup>6</sup>

To gain a foothold in Wichita, in 1893 the cousins bought out the interest of the Wichita Book Company, formerly housed at 149 North Main Street. They operated at that location from late 1893 until spring of the following year when they opened the new Goldsmith Book and Stationery Company at 122 East Douglas, in the heart of

1. *Cowley County Telegram* (Winfield), September 25, 1878.  
 2. “Our post office on wheels will soon move to the corner building of Manning’s block,” reported the September 26, 1878, issue of the *Winfield Courier*, “where the wheels will be taken from under and broken up.” See also Sally Wilcox, *Winfield and the Walnut Valley* (Arkansas City, Kans.: Gilliland’s Publishing, 1975), 8–9.

3. See, for example, classified advertisements, *Winfield Courier*, November 14, 21, December 5, 1878. See also *Winfield City Directory* (1888), 69.  
 4. *Winfield Daily Telegram*, May 16, 1879.  
 5. Wilcox, *Winfield and the Walnut Valley*, 28; *Winfield City Directory* (1880).  
 6. L. Curtise Wood, *Dynamics of Faith: Wichita 1870–1897* (Wichita, Kans.: Wichita State University, 1969), 153–58.

downtown. Henry Goldsmith was senior partner of the Wichita business, and his twenty-five-year-old cousin the junior partner and manager.<sup>7</sup> Like the Winfield store, the East Douglas store carried primarily books and stationery, supplemented by a variety of other items, including Palmer's Hammocks, whose advertising assured customers the hammocks were "Thoroughly Tested with the Weight of Two Persons Before Leaving the Factory."

Despite Wichita's continuing economic troubles, by April 1894 the *Wichita Daily Eagle* proudly proclaimed Goldsmith's the largest store of its kind in Kansas, "not surpassed by any book store in Kansas City." Goldsmith's received all of its stock

direct from the factory . . . no jobbers are between the house and its supplies. Hammocks and sporting goods come without any delay of jobber or otherwise. The books also come direct from the publishers. Mr. Goldsmith has arranged with the publishers that all new books be shipped direct to him as soon as published, so that any one wanting any book which they see reviewed can be accommodated. A window is kept especially to exhibit new books.<sup>8</sup>

Having achieved the critical mass necessary to obtain stock directly from manufacturers and publishers, Goldsmith's now enjoyed at least two major competitive advantages. First, as the *Eagle* reporter recognized, the company could quickly offer customers the newest merchandise without the inevitable delays created by a wholesaler (which were often significant in the days long before efficient, computerized supply chains). Second, Goldsmith's could actually lower its retail prices while increasing its profit margins—something other area stores could not match.

Goldsmith's Wichita operation soon became the largest part of the business, and the Winfield store merely a branch office. By 1900 Henry Goldsmith's health had declined, and he sold off the assets of the Winfield store. Isaac purchased the bulk of Henry's interest in the Wichita business and formally incorporated the Goldsmith Book and Stationery Company in the state of Kansas. Announcing the change in ownership, the *Wichita Daily Beacon* pronounced Isaac Goldsmith's business "the most important book firm in this section of the country."<sup>9</sup> Goldsmith's ap-

7. See *Wichita Daily Beacon*, October 12, 1900, for a story detailing the ownership and management structure; see also advertisements in *Wichita Daily Eagle*, November 24, 1893, March 7, 1894.

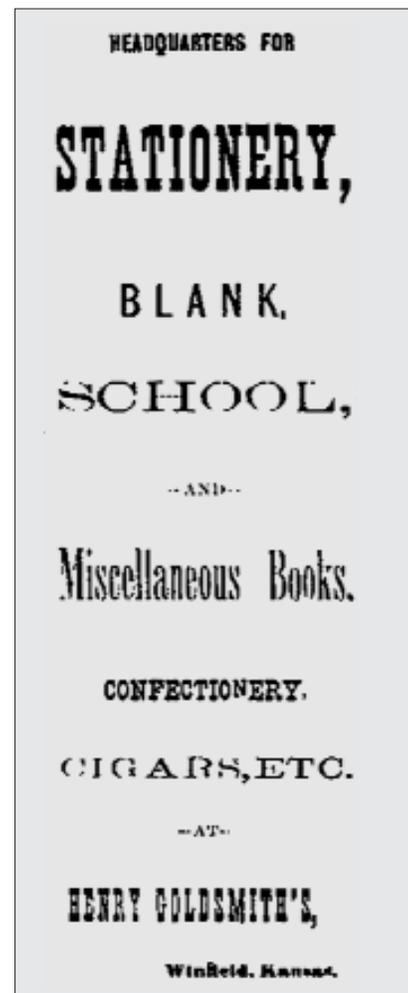
8. *Wichita Daily Eagle*, April 22, 1894.

9. *Wichita Daily Beacon*, June 12, 1900.

plication for corporate charter listed the purpose of the company as "the transaction of book and stationery and stationery supply business at wholesale and retail and manufacturing book & stationery supplies and devices." The restructured company was capitalized at a total amount of twelve thousand dollars. In the charter application, a question asked how long the company expected to remain in business. Isaac Goldsmith responded, perhaps with a sense of optimism, "Twenty-five years."<sup>10</sup>

At the turn of the twentieth century Goldsmith Book and Stationery Co.'s Douglas Avenue store did a significant business in books and stationery, as its name implied. In 1900 a box of matching paper and envelopes sold for fifteen cents, a six-volume hardcover set of Kipling's works for five dollars (three dollars on sale). Goldsmith's also sold a variety of gifts and novelties, as it had since 1878. Now Goldsmith decided to add two major new lines of merchandise.

One was sporting goods. Goldsmith's began to stock a fairly wide array of sporting gear, including footballs, volleyballs, boxing gloves, and baseball bats and gloves. By 1903 the store carried a full line of golf equipment, "including a gadget called table golf, which could be played on a 26-inch board during the winter to keep the eye sharp and the hand steady."<sup>11</sup>



This advertisement for Goldsmith's appeared in the June 24, 1880, issue of the *Winfield Courier*.

10. Goldsmith's corporate charter, Library and Archives Division, Kansas State Historical Society. Quotation in application for charter.

11. H. Craig Miner, *A History of the Wichita Country Club* (Wichita, Kans.: Wichita Country Club, 1975), 30.

The other new business was office furniture. As Wichita slowly recovered from the economic malaise of the 1890s, businesses began to expand their office staffs. To meet the corresponding demand for office furniture, Goldsmith's maintained an increasingly cluttered showroom full of various kinds of desks and chairs. By 1905 business was so good that the Douglas Avenue store was too congested for comfort. Goldsmith made plans to move the growing office furniture and supply operation to the Wal-



By 1900 Goldsmith's on Douglas Avenue, whose interior is seen here, was proclaimed by the *Wichita Daily Beacon* as "the most important book firm in this section of the country."

ters Building, then under construction at the southwest corner of Main and William Streets.

The Walters Building was a thoroughly modern structure for the time, featuring a thirty-foot plate glass window, gas and electric lighting, a water-tight basement, and an electric elevator. By July 1906 Goldsmith's would occupy the building's entire first floor, nearly thirty-five hundred square feet, along with half of the basement and half of the second floor. The *Wichita Eagle* hailed the new edifice as "one of the finest structures in the city from a standpoint of interior finish, exterior beauty and strength of materials."<sup>12</sup>

12. *Wichita Daily Eagle*, November 8, 1905, April 17, 1906; *Wichita Eagle*, July 19, 1906; *Wichita Daily Beacon*, January 13, 1910.

From 1900 to 1920 Wichita continued to grow, and Goldsmith's along with it. After years of struggle, the region had succeeded in building up a solid manufacturing base, led by the burgeoning meat-packing and milling industries. By 1910 Wichita boasted its first ten-story edifice, the Beacon Building, and the city was issuing one hundred to two hundred new building permits every month. Excepting Kansas City, Wichita's economic activity was nearly double that of any other city in Kansas. While World War I slowed things for a time, it also served to spark interest in Wichita's nascent aircraft industry—led by two young, little-known entrepreneurs named Walter Beech and Clyde Cessna.<sup>13</sup>

As the largest establishment of its kind in Wichita, Goldsmith's enjoyed the wave of prosperity. The Wichita "branch" office that opened back in 1893 had now grown larger than Henry or Isaac ever reasonably hoped. Then in 1920 Goldsmith received disturbing news. After twenty-seven years at 122 East Douglas, he was notified that the property owner had other uses for the building, and Goldsmith's lease would not be renewed. The company had one month to vacate.

It was a serious blow. The East Douglas location had been an excellent one, at the center of downtown Wichita. For nearly thirty years customers had associated Goldsmith's with Douglas Avenue. If the company moved, there was no guarantee that the customers would move with it. To make matters worse, no nearby properties were available. This worried Goldsmith greatly. "As time went on and the day for our removal came closer," he later recalled, "I felt sure that we were up against it because there was no place within several blocks that would at all answer the purpose."<sup>14</sup>

With little time left, Goldsmith reluctantly rented space on South Topeka Avenue, more than three blocks from Goldsmith's previous location and well outside the established downtown retail district. It was by all accounts a poor site, entirely "out of the question for a retail store," according to the *Wichita Daily Eagle*. "We certainly were a sick bunch when we got in here," Goldsmith admitted. "It was as though we had moved from the heart of the city and out into the suburbs." Besides the location, Goldsmith found the property itself less than impressive. "The place was dirty, and in comparison to our other quarters it was as big and gloomy as a barn." His business colleagues assured

13. Craig Miner, *Wichita: The Magic City* (Wichita, Kans.: Wichita-Sedgwick County Historical Museum Association, 1988), 120.

14. *Wichita Daily Eagle*, February 22, 1921.

him that the unfortunate move “would be the death of the concern.” They predicted that Goldsmith’s former customers would not go so far out of their regular way, and that the people who did come there would not be the kind to buy office supplies. Goldsmith would be “starved out” if he stayed at South Topeka. Convinced of this wisdom, Goldsmith continued to search for alternate space even as he prepared to open the new store.<sup>15</sup>

“Just A Step From Douglas,” Goldsmith’s new advertisements declared hopefully from the pages of the *Eagle*. When opening day finally arrived, staff members were understandably nervous. One particularly pessimistic clerk predicted the company would not sell a single writing tablet all day. While most employees were somewhat more hopeful, Goldsmith noted, they “didn’t think we had much of a show against the other well established stores in our new out of the way place.”<sup>16</sup> It was a pivotal time for the forty-two-year-old company.

By the end of the day, however, all fears were put to rest. Seemingly against the odds, Goldsmith’s had a banner day, including the best single-day schoolbook business in its history. Far from being a disaster, the new location had attracted more customers than ever. The success of that first day proved to be more than a fluke. The winter of 1920–1921 was Goldsmith’s best yet, with increases in every department, including books, stationery, novelties, and seasonal goods. To everyone’s disbelief, the critics had been wrong: the business not only survived, but prospered in its new environment. No one was more surprised than Goldsmith, who marveled at the impressive sales. Total revenue for the fiscal year ending February 28, 1921, was \$225,491—close to double the revenue for 1919 at the old, “better” location.<sup>17</sup>

Goldsmith’s was not the only firm to recognize the changing nature of retailing in America during the 1920s. As Alfred Chandler points out in *Strategy and Structure*, until 1925 Sears, Roebuck and Company had been exclusively a mail-order firm. A handful of Sears executives recognized, however, that changing customer demographics—including increasing urbanization and the newfound mobility afforded by the automobile—meant that formerly successful retail models would no longer suffice. In 1925 Sears opened its first retail showrooms, where customers

could see and touch the merchandise before purchase. Sears located many of its stores outside established downtown shopping districts, a decision that befuddled many in the retail sector.<sup>18</sup>

As both Sears and Goldsmith’s were discovering, however, Americans were fast becoming impatient with the pre-twentieth-century model of retailing, in which customers relied heavily on salesclerks and rarely handled stock themselves before purchase. At Goldsmith’s old



*Shortly after the turn of the twentieth century, Goldsmith’s added the new business line of office furniture. To meet the large demand for this product, the store maintained a growing inventory of desks and chairs, as is evident in this ca. 1904 photo.*

Douglas Avenue store, for instance, nearly all merchandise was kept behind sales counters, completely out of reach of customers. As a result, during high traffic times customers might experience a significant wait while the clerk helped those ahead in line. In contrast, the new South Topeka space lent itself to more modern retailing, with a wider variety of stock on display and a more self-service atmosphere. One of the perceived disadvantages of the new building—that it was as big as a barn—turned out to be an advantage. “Before, customers felt because of the

15. *Ibid.*

16. *Ibid.*

17. Goldsmith’s Inc. Income Statement, year ending February 28, 1921, Goldsmith’s Inc., Corporate Archives, private collection of Rodger Arst, former chairman of Goldsmith’s Inc., Wichita, Kans.

18. Alfred D. Chandler Jr., *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (Cambridge, Mass.: MIT Press, 1962), 236.

crowded conditions at the old location that they did not dare take the time they wanted,” observed the *Wichita Daily Eagle*. “Also, because they could not see the stock, it was impossible for them to make proper selections.”<sup>19</sup> Here, they could browse at their leisure. And as Goldsmith’s was learning, customers who took their time browsing often noticed other things they had not intended to buy.

In 1905, almost by accident, Goldsmith’s became a book publisher. An acquaintance of Isaac Goldsmith’s,



Late in 1920 Goldsmith’s was forced to move from Douglas Avenue to South Topeka Avenue. Although fearing the new location would ruin his business, Isaac Goldsmith saw his company’s revenue nearly double during the first year on South Topeka. Photo taken in ca. 1921.

Samuel Francis Woolard, wanted to compile a book of toasts. He originally intended to print just a few copies for his friends. After making some inquiries, however, he discovered one of the basic truths of the publishing industry: due to large fixed costs, it was nearly as expensive to print a few dozen copies of a book as a few hundred. Goldsmith encouraged Woolard to print a larger number, promising to sell the surplus copies in his store. Somewhere along the way he also agreed to serve as publisher for the book.<sup>20</sup>

19. *Wichita Daily Eagle*, February 22, 1921.

20. *Wichita Daily Beacon*, October 12, 1900.

Later that year the Goldsmith Book and Stationery Company, Publishers, unveiled its first title: Woolard’s *Good Fellowship: A Book of Toasts*. The book sold for fifty cents in vellum binding, one dollar in the more luxurious calf. Although Goldsmith may have printed and sold the book more as a favor to Woolard than as a serious profit-making venture, he was pleasantly surprised by the public’s response. Soon the book’s first edition sold out, then a second. Flush with the success of *Good Fellowship*, in 1906 Goldsmith’s published another compilation by Woolard, a collection of quotations and poetry called *The Beauties of Friendship*. Both books did a brisk mail-order business, and soon Goldsmith’s impromptu publishing venture was a going concern.<sup>21</sup>

Ensuing books were published under the name Goldsmith–Woolard Publishing Company.<sup>22</sup> Over the next few years Goldsmith–Woolard would publish a number of popular compilations edited by Woolard, including *All That’s Love-ly* (1907), *Pictures of Memory* (1908), *Glorious Mother* (1909), *Dear Old Father* (1910), *Things Beautiful* (1911), *The Sunshine of Life* (1912), *Still Waters* (1913), *Good Fellowship—Second Section* (1913), and *Real Patriotism* (1916). All were small, attractive gift books about sixty pages long and filled with inspirational quotations from the likes of Shakespeare, Longfellow, Wordsworth, Emerson, and Helen Keller—plus occasional editorial comments by Woolard.

In addition to Woolard’s compilations, the company published a handful of other titles, including Margaret Perkins’s *Echoes of Pawnee Rock* and four volumes of poetry by Nina Isabel Jennings: *Man and His Mate*; *When We’re in Love*; *Man: The Wonderful*; and *Woman: The Mysterious*. According to the *Wichita Beacon*, by 1923 Goldsmith–Woolard had sold more than one million books. “The books have been sold in every country on the globe where the English language is spoken,” the paper reported, “and they are still in good demand.” The same story mentions that Isaac Goldsmith relinquished his involvement in Goldsmith–Woolard earlier in 1923, although no reason is given and Goldsmith’s corporate records provide no additional insights.<sup>23</sup>

21. *Ibid.*

22. The name was chosen perhaps to reflect a revised partnership arrangement, and perhaps to differentiate the firm from Goldsmith Publishing, an unrelated children’s book publisher in Cleveland.

23. *Wichita Beacon*, December 2, 1923.

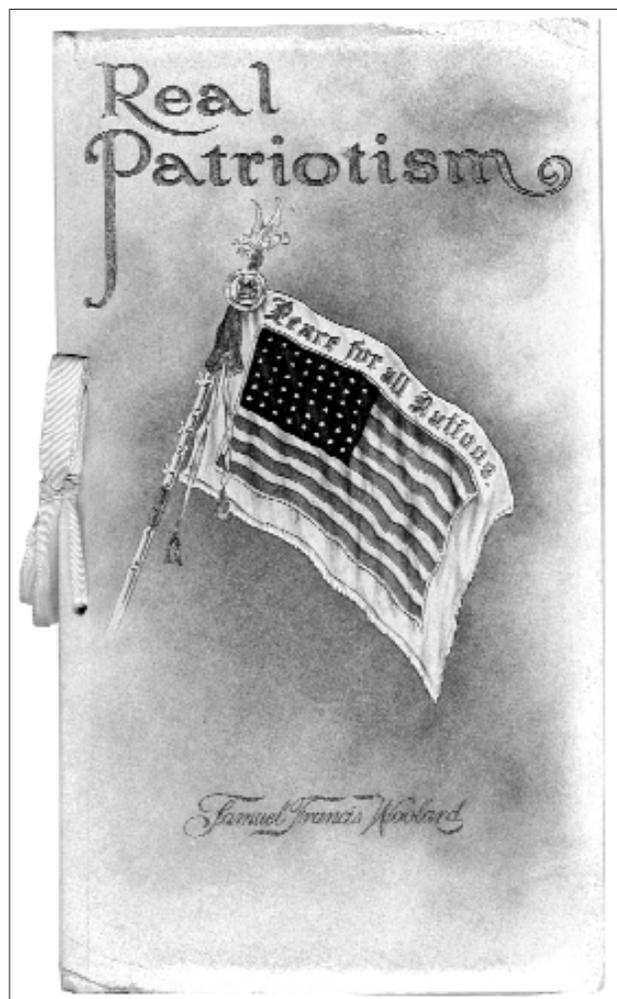
By 1931 Goldsmith's had spent eleven years in its "temporary" location at 116–118 South Topeka. Far from fading away in the hinterland, the company had experienced significant sales increases since moving there. In addition to local traffic, Goldsmith's now boasted mail-order business in eighteen states. Such success made Goldsmith optimistic about the future, and he expanded the store's floor space, upgraded its display windows, and created a more central entrance.<sup>24</sup>

Goldsmith's enviable record of sales increases, however, would soon be tested by the Great Depression. Although Wichita fared better than many other parts of the country during the thirties—it was relatively unaffected by the crippling Dust Bowl conditions in nearby Oklahoma—times were still very difficult. Unemployment surged, and those who retained their jobs were likely to see pay cuts of 10 to 30 percent. Desperate for business, many firms extended credit to their customers, often with little hope of seeing the debts paid. Goldsmith's remained in relatively good shape on this front; through the depression, bad debts ran less than 1 percent of overall revenue.<sup>25</sup>

Still, profits inevitably suffered. Goldsmith's most profitable year ever had been 1927–1928, when the company's net earnings were nearly \$23,000 on sales of \$270,000. For the year ending February 28, 1932, Goldsmith's lost \$3,500 on sales of \$220,000. Yet the company managed to survive the depression, and Goldsmith retained his fundamental optimism. In 1934, years before World War II would bring thousands of high-paying aircraft jobs back to Wichita, Goldsmith told the *Eagle*, "I believe that 99 per-cent of the American people are inherently honest. It naturally follows that they will pay their obligations and as a result we will find prosperity."<sup>26</sup>

For decades visitors to Goldsmith's South Topeka store would encounter a comfortingly familiar scene. At the front of the store was Goldsmith's upscale gift department, with shelves full of Royal Dalton statues, Hummel figurines, Madame Alexander dolls, collector's plates, and fine Spanish porcelains. Farther back on the left was Goldsmith's book department. As with gifts, Goldsmith's prided itself on the quality of its book offerings. "We had a wonderful bookstore," longtime employee Kay Ratner re-

calls. "We were a bit elitist, in that we never allowed a paperback in our bookstore. It was hardback or nothing."<sup>27</sup> Running along the right side of the store was the office supply department, with a large selection of paper, pens, ink, and general office supplies. Over the rear of the sales floor was a mezzanine level housing the office furniture department, as well as the store's switchboard operator and bookkeeper, who communicated with the sales floor via a system of pull cords and cylindrical message containers.



In 1905 Goldsmith's entered the field of publishing, and under the name of Goldsmith–Woolard, the company sold nearly one million books during the next twenty years. *Real Patriotism* was published by Goldsmith–Woolard in 1916.

24. *Wichita Eagle*, August 19, 1931.

25. *Ibid.*, June 24, 1934; Goldsmith's Inc. Income statement, year ending February 28, 1934, Goldsmith's Inc. Corporate Archives.

26. *Wichita Eagle*, June 24, 1934.

27. Kay Ratner, interview by author, July 5, 2001.

In the rear of the store, under the mezzanine, was Goldsmith's sporting goods department. The store had become part of sports history in the late 1920s, when Goldsmith hired Ray "Hap" Dumont (Hap was short for Happy), an energetic young sports editor, fight promoter, and failed stand-up comic from Wichita. Goldsmith hired Dumont to grow the company's sporting goods business. Dumont was particularly attracted to the promise of mail order, with which he experimented all of his life. But Dumont had another love—one that took much of his time, and that would later make him famous in baseball circles.

Always a salesman and promoter, Dumont almost single-handedly willed into existence a national semi-professional baseball tournament in Wichita. After managing a few statewide ventures, in 1935 Dumont organized his first national tournament, whose most valuable player was none other than Satchel Paige, the Negro League pitching star who would later become a Hall of Fame major leaguer. Over the years Dumont's National Baseball Congress, or NBC, would draw some of the greatest names in baseball to its annual, two-week tournament. Among the hundreds of eventual major league players to attend the Wichita tournament were Billy Martin, Tom Seaver, Mark McGuire, Dave Winfield, Roger Clemens, and Barry Bonds. The NBC purchased its balls and equipment from Goldsmith's, whose offices served as NBC headquarters until 1948, when Dumont moved to a building near Lawrence (now Lawrence–Dumont) Stadium.<sup>28</sup>

On March 28, 1944, Isaac Goldsmith died, leaving a 35-percent interest in Goldsmith's to each of his two daughters, with the remainder split among a handful of longtime employees. The diluted ownership often made management decisions difficult. The younger Goldsmith daughter, Maryon Arst, emerged as the *de facto* head of the company, but even she struggled to implement decisions. During the 1940s, for example, Arst became convinced that the store would benefit from the addition of air conditioning, an increasingly affordable luxury. Comfortable customers, she reasoned, were likely to visit the store more often and stay longer. Today such an idea hardly seems controversial; yet at the time Arst faced significant opposition from her business partners. "They didn't think air conditioning was necessary," recalls Arst's son, Rodger Arst. "They thought it was an extravagance." Ultimately the store was air condi-

tioned; but Arst became convinced that the company's fractured ownership structure must be changed. Over the next twenty years she slowly bought out her partners, including her sister.<sup>29</sup>

Rodger Arst joined the company in 1958, at the urging of his mother. A recent college graduate who had majored in economics, Rodger brought to Goldsmith's a type of stringent financial analysis that had been lacking. For example, the company had always paid particularly close attention to the relative gross margins of various lines of products. Goldsmith's income statement for the year ending February 28, 1950, had contained the following sales breakdown for department ranks based on gross margin:

|                     |                 |
|---------------------|-----------------|
| School Supplies     | 1               |
| Misc. (incl. Gifts) | 2               |
| Office Supplies     | 3               |
| Furniture           | 4               |
| Books               | 5               |
| Stationery          | 6               |
| Sporting Goods      | 7               |
| Schoolbooks         | 8 <sup>30</sup> |

Looking only at these rankings, it appears that school supplies provided the highest profit potential, followed by miscellaneous sales (which included gifts) and office supplies.

But as Rodger understood, gross margin fails to tell the entire story. One reason is relatively obvious: a high margin makes little difference if overall sales of a category are low. The other, less obvious reason is that gross margin accounts only for sales minus the cost of goods sold, essentially taking the revenue a firm receives for a product and deducting what the firm paid suppliers for the product itself. What also matters is how expensive it is to sell a product, which is reflected in sales, general, and administrative costs (SG&A).

In actuality, the SG&A costs for Goldsmith's different lines of business varied greatly. Dollar for dollar of revenue, it cost more to sell sporting goods than it did to sell office furniture or office supplies. Looking at actual net profit numbers of departments and ranks for the year ending February 28, 1950, this becomes clear:

29. Rodger Arst, interview by author, July 9, 2001.

30. Goldsmith's Inc. Income Statement, year ending February 28, 1950, Goldsmith's Inc. Corporate Archives. Sadly, only a handful of the firm's pre-1960 annual reports are extant, making detailed year-to-year analysis impossible.

28. Bob Broeg, *Baseball's Barnum: Ray "Hap" Dumont and the National Baseball Congress* (Wichita, Kans.: Wichita State University Center for Entrepreneurship, 1989), 10, 32.

| DEPARTMENT          | SALES     | NET PROFIT             | RANK |
|---------------------|-----------|------------------------|------|
| Furniture           | \$170,019 | \$21,192               | 1    |
| Office Supplies     | \$151,888 | \$21,056               | 2    |
| School Supplies     | \$ 15,741 | \$ 4,300               | 3    |
| Misc. (incl. Gifts) | \$ 13,389 | \$ 3,582               | 4    |
| Stationery          | \$ 40,782 | (\$192)                | 5    |
| Books               | \$ 25,195 | (\$526)                | 6    |
| Schoolbooks         | \$ 53,542 | (\$2,180)              | 7    |
| Sporting Goods      | \$ 87,712 | (\$3,823)              | 8    |
| TOTAL:              | \$558,268 | \$43,409 <sup>31</sup> |      |

In Rodger's view, the future of Goldsmith's rested not with gifts or books, but with office furniture and supplies. In particular, he was intrigued by the growth potential of furniture. He discussed his theories with his mother, but she felt strong loyalty to the traditional businesses her father had built. "Office furniture had been part of Goldsmith's for years," Rodger explained, "But it was always pushed into the background. We paid relatively little attention to it."<sup>32</sup>

Much had changed since the company's earliest experiences with office furniture. In Henry Goldsmith's day, the demand had been primarily for large, ornate roll-top desks with plenty of nooks and cubbyholes to place papers and office supplies. Such units were typical until the advent of scientific management, the influential philosophy espoused in Frederick Taylor's 1911 *Principles of Scientific Management*. Scientific managers analyzed work flow in minute detail and strove to eliminate wasteful activities. They denounced cubbies, or even drawers, as places where workers might squirrel away important papers. To ensure efficiency, desks should be rectangular, uniform, and placed in very precise configurations. Between World Wars I and II, as the American workforce became increasingly white collar, demand for plain wooden and metal desks would dominate the office furniture market.<sup>33</sup>

By the 1950s, however, a handful of office furniture manufacturers were challenging this strict philosophy of

workplace design. Of these, none was more influential than the Herman Miller company of Zeeland, Michigan. In 1942 Herman Miller had revolutionized office furniture with its Executive Office Group, a collection of fifteen modular components that could be organized in more than four hundred distinct configurations. Knockdown construction allowed users to create completely customized workspaces with modular desktops, drawers, file cabinets, and shelving units. Unlike the rigid, standardized offer-



Located near the back of the store was Goldsmith's sporting goods department, which flourished, especially from the late 1920s through the 1940s, under the management of Ray "Hap" Dumont. The "Sporting Goods" sign can be seen in this interior shot of the store.

ings of most manufacturers, Herman Miller products recognized that workers were unique individuals with varied job functions, tastes, and size requirements. As the firm's customers were discovering, worker comfort often led to increased job satisfaction and ultimately to the increased productivity so coveted by scientific managers.<sup>34</sup>

Maryon Arst, always a lover of fine design, had been impressed with the Herman Miller products she had seen at trade shows. In 1958, the same year Rodger joined Goldsmith's, she agreed to become a Herman Miller dealer. It

31. Ibid.

32. The "office supplies" category, while clearly profitable, suffers somewhat in comparison with "office furniture" if combined with the similar "stationery" category. Arst interview.

33. The decades-long influence of Taylor's scientific management principles on American office design can be traced in volumes such as J. William Schulze, *The American Office: Its Organization, Management, and Records* (New York: Ronald Press, 1914); Taylor Society, *Scientific Management in American Industry* (New York: Harper & Bros., 1929); T. Lawrence Davis, *Office Administration* (New York: Alexander Hamilton Institute, 1942). For a modern analysis, see Harvey Green, *The Uncertainty of Everyday Life, 1915-1945* (New York: Harper Collins, 1992), 18-22..

34. Hugh De Pree, *Business as Unusual: The People and Principles at Herman Miller* (N.p.: Herman Miller, 1986); Robert Probst, *The Extraordinary Man, D.J. De Pree* (Ann Arbor: Herman Miller Research Corp., 1978); Leslie Piña, *Herman Miller Interior View* (Atglen, Pa.: Schiffer Publishing, 1998).

was by far the most fortunate and fateful decision in Goldsmith's history. It would define the company for the next forty-five years, leading to explosive, hundredfold growth.

Although Arst would remain nominally in charge of Goldsmith's for years, her interest in the business had waned ever since the untimely death of her husband, Frederick, in 1955. It soon became clear to everyone that young Rodger was now in charge. Young, college educated, and ambitious, Rodger wanted to grow the company, and he did



*The 1950s remodeling of Goldsmith's is evident in this view of the store's book department. Although a major retailer of hardback books for decades, that department would be sold in the 1970s.*

not share his mother's sentimentality regarding the past. The obvious growth potential of office furniture made him impatient with Goldsmith's other lines of business. He was particularly unimpressed with sporting goods:

We did some crazy things to increase sales. It was a much lower-margin line, so we had to get more volume. We had two salespeople on the road, going to these small towns. They loaded up their station wagons with helmets, track shoes, whatever, and went knocking on school doors. It was a huge amount of effort for little profit. Just think of going out to a high school in Meade, Kansas, with all sizes of football shoes for the kids to try on.<sup>35</sup>

"We just didn't have the financial capacity to sustain all of those businesses," Rodger believed. "We had five different departments, and when you added them up it was less

35. Arst interview.

than a million dollars in business."<sup>36</sup> He was convinced that the company would grow only if it adapted. In 1965, therefore, Goldsmith's sold its sporting goods business to Domestic Laundry, a laundry and dry cleaning service that supplied uniforms to a number of Kansas schools.

Next to go was the book department, a decision prompted by two major changes in the marketplace. The first change was specific to Wichita. Through the 1950s Wichita schoolchildren were responsible for purchasing their own textbooks. Only Goldsmith's and one other firm, Orr's Book Store, were authorized to carry the assigned textbooks. In the weeks leading up to the beginning of each school year, the first floor of Goldsmith's Topeka Avenue store would be completely cleared out to make room for table upon table of textbooks and school supplies. In what had become an annual rite, long lines of parents and children snaked out the door and well up Topeka Avenue as the Wichita school district's fifty thousand students came to buy their books. That all changed in the 1957–1958 school year, when the school district began to purchase its own books and rent them to fifth- and sixth-grade students. Within a few years the district expanded the practice to all grade levels. A significant percentage of Goldsmith's business simply evaporated.<sup>37</sup>

The second major blow to Goldsmith's book business occurred during the 1970s, when the retail book business shifted from hardcover books sold in independent bookstores to mass-market paperback books sold in mall-based outlets like Waldenbooks and B. Dalton. Goldsmith's, which had sold only hardcover books for one hundred years, became an anachronism. It simply could not compete against the price-driven national chains. As a result, Goldsmith's sold its retail book operation to Watermark Books in Wichita, shedding one of its original businesses. A few years later Goldsmith's sold off its entire stock of gifts. Its business model now bore little resemblance to the firm founded by Henry Goldsmith a hundred years earlier.<sup>38</sup>

Goldsmith's new corporate strategy was not only about shedding businesses, however. During the 1970s the company experimented with various new diversification strategies to increase growth. Through a subsidiary named simply The Second Store (later renamed Goldsmith's Bud-

36. Ibid.

37. Sondra Von Meter, *Our Common Schools: A History of the Wichita Public Schools* (Wichita: Kansas Board of Education, 1977), 292.

38. Arst interview, March 14, 2001.

get Office Furniture), the company began to sell budget and mid-range office furniture to the small business and home office markets. Acquisitions also fueled growth, as the company bought Wichita Stamp and Seal Company, the Unfinished Furniture Company, and Wholesale Office Furniture. Although reasonably successful, these smaller businesses failed to generate the kind of growth that Goldsmith's sought—and growth was always the key issue. "If a business wasn't 'franchisable,' so to speak—if it had to be a mom-and-pop type operation—we started to get out of it," explains Jim Hull, a longtime Goldsmith's vice president. Within a few years all three businesses had been sold.<sup>39</sup>

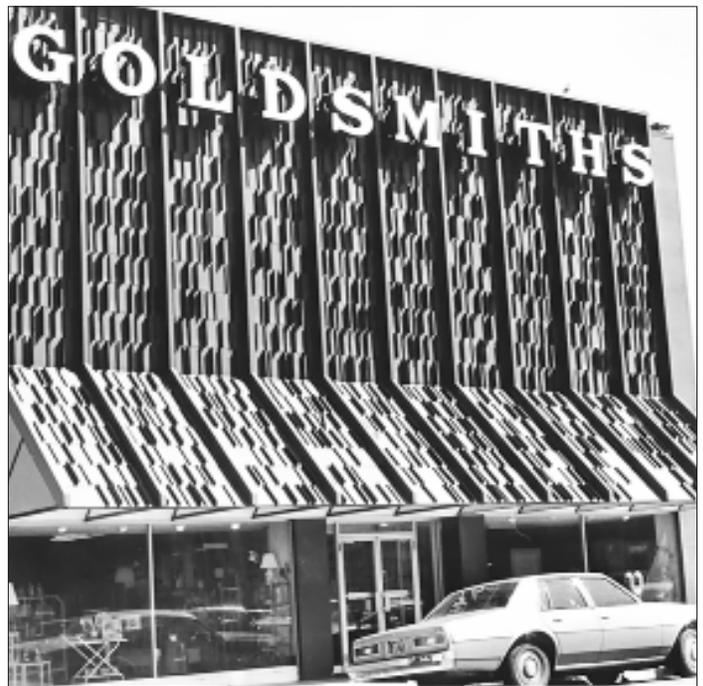
In 1975 Goldsmith's made perhaps its most interesting diversification move when it opened Homeworks. The concept was innovative for the mid-1970s. Located in Towne East mall in growing east Wichita, the store carried two categories of products: office-oriented items such as decorative desk accessories; and consumer-oriented items such as vases and high-end housewares. A typical offering was Finnish-made Marimekko fabric. The *Wichita Eagle* actually published an entire column about the arrival of Marimekko in Kansas; the fabric was so vivid and colorful that many people used it for wall hangings. The showroom was posh and ultra-modern, completely unlike anything the Kansas retail world had ever seen before. Goldsmith's had finally developed a business concept that seemed to lend itself to franchising, which the company saw as a road to rapid large-scale expansion.<sup>40</sup>

Ultimately, however, the Homeworks experiment failed. In New York or San Francisco, a store like Homeworks would likely have flourished. In Kansas, however, it faced an uphill struggle. The relatively conservative Midwest, Goldsmith's found, wasn't conducive to such a retail concept. "We had a lot of people who 'oohed' and 'aahed' about the store, but it was a museum," Rodger Arst said.<sup>41</sup> Marimekko may have been beautiful, but at \$12.80 a yard, it was more than triple the cost of less exotic fabrics. In 1982, when the Towne East lease came up for renewal, Goldsmith's did not renew it.

The company would shed the last of its original businesses in 1992, when it sold its office products division to a Wichita-based firm named Single Source. Like the earlier sale of the book department, the move was spurred by major changes in the retail marketplace. "Big-box" retailers specializing in office supplies, such as OfficeMax, Office

Depot, and Staples, were springing up across the country. Goldsmith's knew it would have a difficult time holding its own against such huge, discount-driven competitors. For the first time in its history, Goldsmith's was in just one business: office furniture.

Recent changes in the office furniture marketplace made this seem a more attractive strategy than ever before. During the late 1970s and early 1980s many national companies changed the way they purchased furniture. Previ-



*The modern look of Goldsmith's during the 1970s, a time when rapid growth seemed key to the company's success.*

ously, branches of a national company usually ordered their own office furniture; the Wichita branch of a national accounting firm might have purchased its furniture from Goldsmith's, for instance, while a branch in Los Angeles would probably have dealt with a California-based distributor. Now, however, the accounting firm's headquarters was more likely to sign a nationwide contract with a single supplier. The goal was to leverage corporate purchasing power, presumably negotiating a better price on the larger piece of business than each branch could achieve individually.<sup>42</sup>

For a supplier like Goldsmith's, this could be either good news or bad, depending on how well the company

39. Jim Hull, interview by author, April 2, 2001.

40. *Ibid.*; Arst interview, March 14, 2001.

41. Arst interview, *ibid.*

42. Arst interview, *ibid.*; Hull interview.

adapted to the new environment. Luckily, Goldsmith's had experienced recent successes with two large local clients, giving it the confidence to branch out geographically. The first client was Pizza Hut, which retained Goldsmith's to furnish its world headquarters in Wichita. Fresh off that success, Goldsmith's struck a major deal to supply Southwestern Bell with modular office systems for its offices across Kansas. Before long, Goldsmith's was doing national work for the likes of Beech Aircraft, Boeing, and the New

Goldsmith's had transformed itself from a tiny Winfield retailer into one of the largest office furniture dealers in the country. Anticipating continued growth, in September 2001 Goldsmith's opened a new, \$2.65 million headquarters facility at 8853 East Thirty-seventh Street North in Wichita. With an ultra-modern showroom and a large warehouse, the building was a bold testament to Goldsmith's confidence in the future. The firm was 123 years old, and the best times seemed ahead of it.



*In 1975 Goldsmith's made a major diversification move by opening Homeworks, located in Wichita's Towne East mall. Ultimately, the Homeworks experiment failed, largely because a relatively conservative Midwest was not conducive to its retail concept.*

York Life Insurance Company. With the addition of such large national accounts, Goldsmith's revenues grew rapidly.

The real opportunity for growth occurred in 1981, when Herman Miller granted Goldsmith's a franchise territory in North Texas, including the Dallas metropolitan region. By 1987 Goldsmith's was a large enough presence in Dallas to earn the business of Texas Instruments. In 1995, largely due to the Texas Instruments account, Goldsmith's sold more than thirty million dollars in Herman Miller products alone—making it the top Herman Miller dealer in the United States that year. Goldsmith's annual revenues jumped from twenty-five million to fifty-seven million dollars in a single year. By the end of 2000, thanks to national accounts and the growth of the Dallas business, revenues would be closer to seventy million.<sup>43</sup>

43. Michael Arst, interview by author, July 21, 2001.

Two years later the company would cease to exist.

Economists often talk of leading economic indicators, statistics that signal trends before those trends appear in the broader economy. Office furniture executives will tell you that their industry is a true leading indicator. The reason is quite simple. Companies anticipating growth hire new employees—and those employees need somewhere to sit. Conversely, companies anticipating an economic downturn often lay off employees and decrease capital spending; orders for new office furniture plummet, and there is a glut of used furniture on the market. Even before the recession following the events of September 11, Goldsmith's knew that 2001 would be a difficult year. Orders for new office systems were down nationally, a trend that continued well into 2002. Many of the Goldsmith's largest clients—especially the high-tech firms in Dal-

las and Austin, Texas—were devastated by the poor economy. Like its counterparts in other areas of the country, Goldsmith's saw new furniture orders cancelled at an unprecedented rate. By 2003 matters had deteriorated to the point that the company could not remain solvent.

On June 10, 2003, Goldsmith's declared bankruptcy, selling its assets to John Marshall Company, a rival Herman Miller dealer in Lenexa, Kansas. John Marshall reserved the right to use the Goldsmith's name in the future; but the company that had survived 125 years, twenty-five U.S. presidents, two world wars, the Great Depression, and countless changes in the marketplace was, for all intents and purposes, no more.<sup>44</sup>

In the context of the company's long history, the fall of Goldsmith's occurred with stunning rapidity. It is tempting, and outwardly reasonable, to conclude that the firm's

44. *Wichita Eagle*, June 11, 2003.

constant reengineering in recent decades was somehow responsible for its demise. If Goldsmith's had not geared all of its energies toward office furniture during the 1980s, might the firm still exist in some form? Perhaps; but given the broader changes that affected its earlier lines of business, probably not. The decisions to drop books and office supplies, for example, would later be validated by the marketplace. Years after Goldsmith's exited the retail book industry due to competition from mall bookstores, even larger chains such as Barnes and Noble and Borders began to open huge, category-killer stores across the country, effectively crippling most independent bookstores. Likewise, Goldsmith's was early to recognize the way that big-box office supply retailers such as Staples and Office Depot would completely change the industry, forcing out smaller, regional mom-and-pop operations. In fact, Goldsmith's often appreciated such major changes well before others in the marketplace. Its decisions were often not only correct, but well timed.

What, then, caused the firm's rapid decline? No doubt there were a variety of complex, interrelated causes. Yet it may be that the fall of Goldsmith's can be largely explained by one of the most basic tenets of finance: risk and reward are, by definition, directly correlated. Goldsmith's had come a long way since its days as a single-store retail operation, and its revenues and profits had skyrocketed as a result. Yet those rewards inevitably carried with them associated risks. The company had vaulted into the multi-million-dollar range only in the mid-1980s, and since then, for the most part, the economy had boomed. Thus, while Goldsmith's had weathered plenty of economic downturns, including nineteenth-century bank panics and the Great Depression, it had always done so as a relatively small business. Simply put, the company knew how to survive hard times as a small business. The owners could supplement weak cash flow by loaning the business money themselves or by taking out new personal loans; in the worst case, they could always pick up the phone and call the firm's local bankers for some temporary help.

Things are different for large businesses, however. For its last two decades Goldsmith's was geared toward rapid growth, rather than stability—a potentially lucrative but risky strategy. That strategy served the company extremely well through the high-growth 1980s and 1990s but caused severe problems during the 2001–2003 economic recession. In other words, as a large company, Goldsmith's had known only boom times; it had no experience weath-

ering downturns at this level of operations. As part of its growth strategy, the firm had plowed most of its boom-year profits back into the business, positioning itself for further growth. Had the economy kept on booming, Goldsmith's very likely would have been a one-hundred-million-dollar business by 2003. Instead, the recession that began in 2001 quickly drained Goldsmith's relatively slim cash reserves, which were then especially low due to construction of the firm's new headquarters building. When



*A major opportunity for growth occurred in 1981, when Herman Miller granted Goldsmith's a franchise territory. Such large-scale expansion and specialization would, however, be Goldsmith's undoing.*

high-tech firms in the Dallas and Austin areas slashed furniture orders after September 11, Goldsmith's simply lacked the cash reserves to stay afloat until the economy recovered. And as an overextended seventy-million-plus-dollar business, help was no longer just a phone call away as it had been in Isaac Goldsmith's day.

The company's attractive new headquarters facility in North Wichita, a symbol of such hope and optimism when it opened just two years earlier, would soon be up for sale. By the summer of 2003 the future of the Goldsmith's name, many of its employees, and its corporate identity remained uncertain as the new owners evaluated their options. Still, it seems unreasonable to memorialize any business that survived and prospered for 125 years, adapting and reinventing itself through some of the most tumultuous times in American history, as anything but an entrepreneurial success story.

